

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services



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- [“Medicare Quarterly Provider Compliance Newsletter \[Volume 4, Issue 4\]”](#), Educational Tool, ICN 909012, downloadable

MLN Matters® Number: MM8889

Related Change Request (CR) #: CR 8889

Related CR Release Date: August 22, 2014

Effective Date: October 1, 2014

Related CR Transmittal #: R3034CP

Implementation October 6, 2014

Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Fiscal Year (FY) 2015

Provider Types Affected

This MLN Matters® Article is intended for providers who submit claims to Medicare Administrative Contractors (MACs) for services provided to inpatient Medicare beneficiaries and are paid under the Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS).

Provider Action Needed

Change Request (CR)8889 identifies changes that are required as part of the annual IPF PPS update from the Fiscal Year (FY) 2015 IPF PPS Final Rule displayed on August 1, 2014. These changes are applicable to IPF discharges occurring during the Fiscal Year October 1, 2014, through September 30, 2015. Make sure your billing staffs are aware of these IPF PPS changes for FY 2015.

Disclaimer

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Background

The Centers for Medicare & Medicaid Services (CMS) published a final rule in the Federal Register on November 15, 2004, that established the IPF PPS under the Medicare program in accordance with provisions of the Medicare, Medicaid and SCHIP Balance Budget Refinement Act of 1999 (BBRA; Section 124 of Public Law 106-113).

Payments to IPFs under the IPF PPS are based on a federal per diem base rate that includes both inpatient operating and capital-related costs (including routine and ancillary services), but excludes certain pass-through costs (i.e., bad debts, and graduate medical education). CMS is required to make updates to this prospective payment system annually.

CR8889 identifies changes that are required as part of the annual IPF PPS update from the IPF PPS Fiscal Year (FY) 2015 Final Rule. These changes are applicable to IPF discharges occurring during the Fiscal Year (FY) October 1, 2014, through September 30, 2015.

Inpatient Psychiatric Facilities Quality Reporting Program (IPFOR)

Section 1886(s)(4) of the Social Security Act (The Act) requires the establishment of a quality data reporting program for the IPF PPS beginning in FY 2014. CMS finalized new requirements for quality reporting for IPFs in the “Hospital Inpatient Prospective Payment System for Acute Care Hospitals and the Long Term Care Hospital Prospective Payment System and Fiscal Year 2013 Rates” final rule (August 31, 2012) (77 FR 53258, 53644 through 53360). Section 1886(s)(4)(A)(i) of the Act requires that, for FY 2014 and each subsequent fiscal year, the Secretary of Health and Human Services shall reduce any annual update to a standard Federal rate for discharges occurring during the FY by 2 percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, CMS is applying a 2 percentage point reduction to the Federal per diem base rate and the Electroconvulsive Therapy (ECT) base rate as follows:

- For IPFs that fail to submit quality reporting data under the IPF Quality Reporting program, CMS is applying a 0.1 percent annual update (that is 2.1 percent reduced by two percentage points in accordance with section 1886(s)(4)(A)(ii) of the Act) and the wage index budget neutrality factor of 1.0002 to the FY 2014 Federal per diem base rate of \$713.19, yielding a Federal per diem base rate of \$714.05 for FY 2015.
- Similarly, CMS is applying the 0.1 percent annual update and the 1.0002 wage index budget neutrality factor to the FY 2014 Electroconvulsive Therapy (ECT) base rate of \$307.04, yielding an ECT base rate of \$307.41 for FY 2015.

Market Basket Update

For FY 2015, CMS used the FY 2008-based Rehabilitation, Psychiatric, and Long Term Care (RPL) market basket to update the IPF PPS payment rates (that is the Federal per diem and ECT base rates).

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The Social Security Act (Section 1886(s)(2)(A)(ii); see http://www.ssa.gov/OP_Home/ssact/title18/1886.htm on the Internet), requires the application of an “Other Adjustment” that reduces any update to the IPF PPS base rate by percentages specified in the Social Security Act (Section 1886(s)(3)) for Rate Year (RY) beginning in 2010 through the FY beginning in 2019. For the FY beginning in 2014 (that is, FY 2015), the Act (Section 1886(s)(3)(B)) requires the reduction to be 0.3 percentage point. CMS is implementing that provision in the FY 2015 Final Rule.

In addition, the Act Section 1886(s)(2)(A)(i) requires the application of the Productivity Adjustment described in the Act (Section 1886(b)(3)(B)(xi)(II)) to the IPF PPS for the RY beginning in 2012 (that is, a RY that coincides with a FY), and each subsequent FY. For the FY beginning in 2014 (that is FY 2015), the reduction is 0.5 percentage point. CMS is implementing that provision in the FY 2015 Final Rule.

Specifically, CMS has updated - the IPF PPS base rate for FY 2015 by applying the adjusted market basket update of 2.1 percent (which includes the RPL market basket increase of 2.9 percent, an ACA required 0.3 percent reduction to the market basket update, and an ACA required productivity adjustment reduction of 0.5 percent) and the wage index budget neutrality factor of 1.0002 to the FY 2014 Federal per diem base rate of \$713.19 yields a Federal per diem base rate of \$728.31 for FY 2015. Similarly, applying the adjusted market basket update of 2.1 percent and the wage index budget neutrality factor of 1.0002 to the FY 2014 ECT rate of \$307.04 yields an ECT rate of \$313.55 for FY 2015.

Pricer Updates for FY 2015

- The Federal per diem base rate is \$728.31;
- The Federal per diem base rate is \$714.05 (when applying the Two Percentage Point Reduction.);
- The fixed dollar loss threshold amount is \$8,755;
- The IPF PPS will use the FY 2014 unadjusted pre-floor, pre-reclassified hospital wage index;
- The labor-related share is 69.294 percent;
- The non-labor related share is 30.706 percent;
- The ECT rate is \$313.55; and
- The ECT rate is \$307.41 (when applying the Two Percentage Point Reduction).

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Cost to Charge Ratio (CCR) for the IPF Prospective Payment System FY 2015

Cost to Charge Ratio	Median	Ceiling
Urban	0.4710	1.6582
Rural	0.6220	1.8590

CMS is applying the national CCRs to the following situations:

- New IPFs that have not yet submitted their first Medicare cost report. For new facilities, CMS is using these national ratios until the facility's actual CCR can be computed using the first tentatively settled or final settled cost report, which will then be used for the subsequent cost report period.
- The IPFs whose operating or capital CCR is in excess of 3 standard deviations above the corresponding national geometric mean (that is, above the ceiling).
- Other IPFs for whom the MAC obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

MS-DRG Update

- The code set and adjustment factors are unchanged for IPF PPS FY 2015.

FY 2014 Pre-floor, Pre-reclassified Hospital Wage Index

- CMS is using the updated wage index and the wage index budget neutrality factor of 1.0002.

COLA Adjustment for the IPF PPS FY 2015

The Office of Personal Management (OPM) began transitioning from Cost of Living Adjustment (COLA) factors to a locality payment rate in FY 2010. The 2009 COLA factors were frozen in order to allow this transition. In the FY 2013 IPPS/LTCH final rule (77 FR 53700 through 53701), CMS established a new methodology to update the COLA factors for Alaska and Hawaii. In this FY 2015 IPF PPS update, CMS adopted this new COLA update methodology and is updating the COLA rates (as published in FY 2014 IPPS/LTCH final rule (78 FR 50986), using the new methodology). The COLAs for Alaska and Hawaii are shown in the following tables:

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Alaska	Cost of Living Adjustment Factor
City of Anchorage and 80-kilometer (50-mile) radius by road	1.23
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.23
City of Juneau and 80-kilometer (50-mile) radius by road	1.23
Rest of Alaska	1.23

Hawaii	Cost of Living Adjustment Factor
City and County of Honolulu	1.25
County of Hawaii	1.19
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

Additional Information

The official instruction, CR8889 issued to your MAC regarding this change is available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3034CP.pdf> on the CMS website.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/index.html> under - How Does It Work.

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